

<b>CSC</b> <b>COMMUNITY</b> <b>SERVICES</b> <b>CENTER</b>	<b>DEPARTMENT OF HUMAN SERVICES</b>	
	<b>ACTION TRANSMITTAL</b>	
	<b>1. Log No:</b> DCCS-PI-2002-01	<b>2. Issuance Date:</b> 1/8/2002
	<b>3. Originating Office:</b> Division of Contracted Community Services	
	<b>4. Key:</b> Child Care Investments Tax Credits for Individuals and Corporations	

## PROGRAM INSTRUCTION

**TO:** Child Care Providers in the State of Maine

**REFERENCES:** 22 MRSA, Subtitle 3, Chapter 1082 § 4100, 36 MRSA, Chapter 822 § 5219-Q

**PURPOSE:** Application for a child care investment tax credit

**BACKGROUND:** Child care providers are now eligible for a tax credit for qualified investments that contribute to the ability of the site to improve its level of child-care services toward the goal of providing quality child-care services.

Please see the attached Guidance and Questions and Answers from Maine Revenue Services for information on eligible taxpayers, calculating the credit, and other definitions.

The Office of Child Care and Head Start must certify investments eligible for the credit. Investors who want investments certified for the quality child care investment tax credit must submit a plan outlining steps to be taken that will significantly contribute toward the ability of the child care site to improve its level of child care services toward the goal of providing quality child care services. Investors must also submit an application for certification of qualified investments and related costs to the Office of Child Care and Head Start using the attached form. The Office of Child Care and Head Start will notify each investor of its determination and forward a list of investors making certified investments to Maine Revenue Services. A copy of the completed application certified by the Office of Child Care and Head Start must be attached to the taxpayer's Maine income tax return in order to claim the quality child-care investment tax credit.

### Qualified Investments

Qualified investments are investments made by investors in a child-care site located in Maine that significantly contribute to the ability of the site to improve its level of child-care services toward the goal of providing quality child-care services. Qualified investments may include:

1. Acquisition of, or improvements to, tangible personal property and real property;
2. Rental of tangible personal property and real property;
3. Educational costs directly related to the provision of child-care services; and
4. Salary increases for child-care staff and salaries for additional child-care staff to reduce staff-to-child ratios;

The term qualified investment does not include expenditures made with funds received from federal and state grants. An investment in a facility providing quality child-care services at the time of the investment is not a

qualified investment unless the investment represents an incremental expenditure to expand child-care services beyond that required for the initial quality child-care certification.

### Quality Child-Care Services

Quality child-care services means services provided at a child-care site that meets minimum licensing standards and:

- A. Is accredited by an independent, nationally recognized program approved by the Department of Human Services, Office of Head Start and Child Care (as defined in DCCS-PI-2001-02);
- B. Utilizes recognized quality indicators for child care services approved by the Department of Human Services, Office of Head Start and Child Care; and
- C. Includes provisions for parent and client input, a review of the provider's policies and procedures, a review of the provider's program records and an on-site program review.

For large, multifunction agencies, only those portions of the child care sites that were reviewed by the accrediting body may be considered sites that provide quality child care services.

Any questions or submissions may be made to:

Carolyn Drugge, Director  
Office of Child Care and Head Start  
Maine Department of Human Services  
11 State House Station  
Augusta, ME 04333  
207-287-5060

Questions regarding the tax credit:

Bill Brunelle, Planning & Research Associate  
Income/Estate Tax Division  
Maine Revenue Services  
24 State House Station  
Augusta, ME 04333-0024  
207-626-8482

---

Kerry Wiersma, Director  
Division of Contracted Community Services

## Qualified Investments in Child Care Programs Application for Certification

(If this application receives a certificate number below, attach it to your Maine income tax return to claim the credit)

### Taxpayer Information:

Taxpayer/Entity Name:

\_\_\_\_\_ Sole Proprietor

\_\_\_\_\_ Partnership

Address:

\_\_\_\_\_ LLC

\_\_\_\_\_ S corporation

\_\_\_\_\_ C corporation

Phone:

Social Security Number or Federal ID Number:

**Description of Qualified Investment. Applicant must attach a copy of a long-term action plan that outlines the steps intended to be taken that will significantly contribute toward the ability of the child-care site to improve its level of child-care services toward the goal of providing quality child-care services. Describe below all steps taken during the tax year toward achieving this goal and then enter the related qualified investments in the spaces provided.**

Investment amounts (list specific investment items and total investment amount for each category below):

Tangible personal property: \$ \_\_\_\_\_

Real property: \$ \_\_\_\_\_

Rental payments: \$ \_\_\_\_\_

Education: \$ \_\_\_\_\_

Additional and/or increased salaries: \$ \_\_\_\_\_

**Total Qualified Investment (please attach documentation):** \$ \_\_\_\_\_

Under penalties of perjury, I declare that I have examined this application and all attachments and, to the best of my knowledge and belief, they are true, correct, and complete.

Officer's Signature \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Please forward to: Office of Child Care and Head Start, Maine Department of Human Services, 11 State House Station, Augusta, ME 04333-0011; or fax to 207-287-5031.

### Office Use Only

Officer's Signature \_\_\_\_\_ Date \_\_\_\_\_ Certificate \_\_\_\_\_

**Maine Revenue Services**  
**Guidance on Child Care Investment Credit**  
**36 MRSA § 5219-Q; 22 M.R.S.A. § 4100**

The child care investment tax credit is available to investors that make qualified investments (*see* definitions below). For purposes of this credit, the term corporation includes business entities defined in 36 M.R.S.A. § 5102(6) (corporations) and § 5206(8) (financial institutions), and also includes partnerships, LLCs, S-corporations, and estates and trusts subject to Maine income tax.

To calculate the credit, the **qualifying portion** is:

- For a corporation, financial institution, partnership, LLC, S-corporation, estate or trust, 30% of up to \$30,000 of expenditures, apportioned if part of an affiliated group engaged in a unitary business; and
- For individuals, if the investor expends at least \$10,000 in one year, \$1,000 each year for 10 years and \$10,000 at the end of the 10-year period.

The credit may not reduce the tax otherwise due below zero. Any unused portion of the credit may be carried over to the following year or years until exhausted.

**Investor:** An investor is a taxpayer operating a child-care facility that makes qualified investments. The term investor does not include a person who makes a contribution, gift, or a loan to a child-care site. Tax benefits or potential tax benefits are not considered returns on the investment.

**Qualified Investments:** Qualified investments are investments made by investors in a child-care site located in Maine that significantly contribute to the ability of the site to improve its level of child-care services toward the goal of providing quality child-care services. Qualified investments may include:

1. Acquisition of, or improvements to, tangible personal property and real property;
2. Rental of tangible personal property and real property;
3. Educational costs directly related to the provision of child-care services; and
4. Salary increases for child-care staff and salaries for additional child-care staff to reduce staff-to-child ratios;

The term qualified investment does not include expenditures made with funds received from federal and state grants. An investment in a facility providing quality child-care services at the time of the investment is not a qualified investment unless the investment represents an incremental expenditure to expand child-care services beyond that required for the initial quality child-care certification.

**Quality Child-Care Services:** Quality child-care services means services provided at a child-care site that meets minimum licensing standards and:

1. Is accredited by an independent, nationally recognized program approved by the Department of Human Services, Office of Head Start and Child Care;
2. Utilizes recognized quality indicators for child care services approved by the Department of Human Services, Office of Child Care and Head Start; and
3. Includes provisions for parent and client input, a review of the provider's policies and procedures, a review of the provider's program records and an on-site program review.

For large, multifunction agencies, only those portions of the child-care sites that were reviewed by the accrediting body may be considered sites that provide quality child care services.